

BOARD AGENDA SUMMARY SHEET

Committee or Board: Board	Date: June 12, 2020	Board Meeting Date: June 24, 2020
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For All Board Voting Items:

Title of Agenda Item: Approval of the Annual Report and Amendments on the Board Policy on Staffing and Employment

Consent Agenda: Yes No

Accompanying Presentation: Yes No

Recommendation from Committee: N/A F&A; GP&P; Oversight & Clean Energy

LIPA Presenter: Barbara Ann Dillon (presentation at GP&P) **PSEG Long Island Presenter:** N/A

Enterprise Risk Management Discussion: Yes No

For Policy Reports Only:

Type of Policy / Report: Operating; Governance; Compliance; Mission

Date of Last Report: July 24, 2019

Compliance Since Last Report: Yes No

Proposed Changes to Policy: Yes No

Requested Action:	The Board is requested to adopt a resolution: (i) approving the annual report on the Policy; (ii) finding that LIPA has complied with the Policy; and (iii) approving certain amendments to the Policy.
Summary: (include proposed amendments to Board Policies, if applicable)	By Resolution No. 1338, dated January 25, 2017, the Board adopted the Policy with the purpose of fostering a work environment that attracts and retains the experienced professionals of diverse talents and backgrounds and promotes an ethical and productive organization. The Board last reviewed and amended the Policy on July 24, 2019. The Board Policy has been revised to require LIPA to conduct an Annual Employee Engagement Survey and design programs and initiatives to maintain an employee engagement score among the top 10 percent of benchmarked companies. Additionally, there are certain minor suggested edits to the Policy.

FOR CONSIDERATION

June 24, 2020

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of the Annual Report and Amendments to the Board Policy on Staffing and Employment

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Board”) is requested to adopt a resolution: (i) finding that the Long Island Power Authority (“LIPA”) has complied with the Board Policy on Staffing and Employment (the “Policy”); (ii) approving the annual report for the Policy, and (iii) approving certain amendments to the Policy, which resolution is attached hereto as **Exhibit “A”**.

Background - Board Policy on Staffing and Employment

By Resolution No. 1338, dated January 25, 2017, the Board adopted the Policy with the purpose of fostering a work environment that attracts and retains the experienced professionals of diverse talents and backgrounds and promotes an ethical and productive organization. The Board last reviewed and amended the Policy on July 24, 2019.

Compliance with the Policy

Staff recommends that, for the reasons set forth below, the Board find that LIPA has complied with the objectives of the Policy for the period since the last annual report.

The Policy requires the Board of Trustees “Appoint and, if necessary, discharge the CEO; evaluate the performance of and determine the compensation of the CEO; and with the advice of the CEO, appoint the other Board-appointed Officers specified in the Authority’s By-laws.”

- The Board completed the CEO’s annual performance evaluation at its March 2020 Board meeting. The CEO’s performance evaluation was prepared by the Chair of the Governance, Planning and Personnel Committee with the assistance of a third-party human resources consultant and 360-degree anonymous feedback from all Trustees as well as LIPA’s Executive Committee.
- The Board reviewed the salary of LIPA’s CEO of \$300,000. A survey of 24 public power utilities of similar size to LIPA found an average salary for the position of \$481,000, with a range of \$240,000 to \$1.1 million. LIPA was the third largest utility, ranked by customers, to participate in the survey. LIPA’s CEO salary was ranked 22 out of the 24 utilities.
- No Board-appointed Officers were hired in 2019.

The Policy authorizes and directs the Chief Executive Officer to:

“Manage the organization and staffing of the Authority, including hiring and terminating staff, to enable the Authority to achieve its mission and values, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization”; and “Maintain staffing at the minimum level necessary to ensure that the Authority meets its obligations with respect to its bonds and notes and all applicable statutes and contracts and oversee the activities of the Authority’s service provider.”

- The CEO has managed LIPA’s staffing levels at the minimum level necessary to execute its goals and mission.
- LIPA staff consists of 57 full-time employees and 5 part-time employees.

The Policy directs the CEO to “develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy...including: (a) an Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities...and (b) an Employee Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee.”

- The Employee Handbook includes all components required by the Policy, comports with all applicable law, and was updated to incorporate changes in human resources best practice. The Handbook is revised and updated as necessary on an on-going basis.
- All employees certified their compliance with the Code of Ethics and Conduct.

The Policy directs the CEO to “Establish and administer compensation practices and benefits for the Authority’s staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual’s knowledge, skill, and contribution; motivate and reward individual performance; and encourage organizational responsiveness to the Authority’s mission and values.” The Policy contains further guidance on such practices.

- The Director of Human Resources and Administration completed an annual salary benchmarking analysis for all staff positions using industry specific and national salary data. That benchmarking analysis is consistent with the criteria provided in the Board’s Policy and was used to establish a salary range for each position.
- LIPA has an active performance appraisal and enhancement system which includes monthly “check-ins” with supervisors, and an annual performance evaluation. As required by the Policy, individual employee performance and contribution is considered in setting salaries and merit increases.

The Policy directs the CEO to “refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation that exceeds the range set for the position by a benchmarking survey, without Board approval.” and “unless authorized in writing by the CEO, employment at the Authority shall be on an at will basis.”

- All LIPA employees are at-will employees.
- No employment offer exceeded the salary range set for the position.

The Policy directs the CEO to “Establish policies and programs that support and encourage the personal and professional development of employees, including: programs for continuing education, tuition reimbursement, and professional development; core skills continuing education; performance appraisal and enhancement; management and leadership training; and utility and public power industry learning.

- LIPA provides in-house training and development program for employees that includes certain leadership and management training seminars and programs including a Project Leadership certificate program (6 courses), and topics including LIPA Rates Series (Rates and Rate Cases), Giving Feedback and Providing Coaching, Writing Effective Evaluations, Cyber Security, Creating Positive Work Environments, Effective Communication, Dealing with Difficult Issues, Sexual Harassment including Managing Unconscious Bias, and on-going IT training, among others.
- LIPA further encourages professional development through: (i) industry webinars, conferences, and training; (ii) reimbursement of professional certifications and memberships; (iii) educational assistance programs; and (iv) a personal development program that incorporates 360-degree feedback, among other initiatives.

Lastly, the Policy directs the CEO to “maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to the operations of the Authority.”

- The CEO has identified the names and order of appointment of three direct reports to serve as Acting Chief Executive Officer in the event of his absence, disability, incapacity or resignation, until such time as the Board appoints an interim or permanent successor, as provided for in the LIPA By-Laws.
- LIPA’s Senior Vice Presidents and Chief Officers have designated emergency successors to serve in an Acting capacity, as required by internal LIPA policy.
- The Board is briefed in Executive Session, at least annually, on the succession plan by the CEO.

Proposed Changes to the Board Policy

The Board Policy has been revised to require LIPA to conduct an Annual Employee Engagement Survey and design programs and initiatives to maintain an employee engagement score among the top 10 percent of benchmarked companies. Additionally, there are certain minor suggested edits to the Policy. All proposed changes are more fully set forth in **Exhibit “B”**.

Enterprise Risk Management Discussion

The Board has adopted a Policy on Enterprise Risk Management (“ERM”). Enterprise Risks are brought to the Board’s attention throughout the year. While there are several risks related to Staffing and Employment, the two most significant risks relate to succession planning; and attracting and retaining qualified individuals. The specific risks identified are:

- “Succession planning challenges due to the limited ability to develop internal candidates or identify and attract external candidates for succession results in inadequate expertise to fulfill

LIPA's mission and goals;" and

- "Difficulty attracting and retaining individuals with the necessary knowledge, skillsets and experience results in challenges to fulfilling LIPA's mission and goals".

Both risks are rated as medium level risks. LIPA mitigates the risk associated with succession planning by having emergency plans in place for the CEO and certain executive management positions, and a process in place to identify gaps. Additionally, LIPA has a process in place that provides for the identification, retention and transfer of information necessary for the continuity of services and retention of institutional knowledge.

LIPA mitigates the attraction and retention risk through review of best practices related to compensation and benefits. Additionally, LIPA selectively utilizes executive search firms to identify candidates with the necessary knowledge and experience to fill key positions. LIPA's participation and leadership in industry associations also improves its reputation and attractiveness to potential employees.

Based on the mitigations actions that are currently in place, we believe both risks are being adequately managed.

Recommendation

Based upon the foregoing, I recommend approval of the above requested action by adoption of a resolution in the form attached hereto.

Attachments

- Exhibit "A"** Resolution
- Exhibit "B"** Staffing and Employment Policy (redline)
- Exhibit "C"** Staffing and Employment Policy (clean)

RESOLUTION APPROVING THE REPORT TO THE BOARD OF TRUSTEES ON THE BOARD POLICY ON STAFFING AND EMPLOYMENT

WHEREAS, the Staffing and Employment Policy (the “Policy”) was originally approved by the Board of Trustees by Resolution No. 1338, dated January 25, 2017; and

WHEREAS, the Policy was last reviewed and amended by the Board on July 24, 2019; and

WHEREAS, the Board has conducted an annual review of the Policy and affirms that the Policy has been complied with and the changes to the Policy recommended herein are due and proper.

NOW, THEREFORE, BE IT RESOLVED, that consistent with the accompanying memorandum, the Board hereby finds that the Authority has complied with the Policy for the period since the last annual review and approves the annual report to the Board; and

BE IT FURTHER RESOLVED, that consistent with the accompanying memorandum, the changes to the Policy that are reflected in attachment **Exhibit “B”** are hereby approved.

Dated: June 24, 2020



Board Policy: **Staffing and Employment**

Policy Type: **Operating Policy**

Monitored by: **Governance, Planning and Personnel Committee**

Board Resolution:— **#1338, approved January 25, 2017**
#1435, amended October 24, 2018
#1485, amended July 24, 2019
#XXX, amended June 24, 2020

Board Policy on Staffing and Employment

It is the policy of the Long Island Power Authority ("LIPA") to foster a work environment that attracts and retains experienced professionals of diverse talents and backgrounds and promotes an ethical and productive workplace. In furtherance of these goals, the Board of Trustees:

- Appoints and, if necessary, discharges the Chief Executive Officer ("CEO");
- Evaluates the performance of and determines the compensation of the CEO; CEO¹;
- With the advice of the CEO, appoints the other Board-appointed Officers specified in ~~the Authority's~~ LIPA's ~~By-laws,~~ laws².

Furthermore, the Board of Trustees authorizes and directs the CEO to:

- Manage ~~the~~ LIPA's organization and staffing ~~of the Authority,~~ including hiring and terminating staff, to enable the Authority to achieve its mission and values, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization;
- Maintain staffing at the minimum level necessary to ensure that ~~the Authority~~ LIPA meets its obligations with respect to its bonds and notes ~~and all applicable,~~ statutes and, contracts, and ~~oversees the activities~~ oversight of ~~the Authority's~~ its service

¹ The Board annually evaluates the CEO's performance by comparing: (i) the Authority's performance to the policies established by the Board, and (ii) the skills of the CEO to the competency profile established for the position. The Board periodically reviews the CEO's compensation using a benchmarking survey. The CEO's cost-of-living adjustments ("COLA"), if any, are tied to performance. If the CEO's performance "meets expectations", the COLA equals the rate of inflation. If the CEO "significantly exceeds expectations", the COLA equals the rate of inflation plus one percent. If the CEO's performance is "outstanding," the COLA equals the rate of inflation plus two percent.

² Pursuant to the Authority's By-laws, the Board-appointed Officers include the Chief Executive Officer, the Chief Financial Officer, and the General Counsel. The Chief Executive Officer may appoint such other Officers as he or she may from time to time deem necessary or desirable.

- provider;
- Develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy [and the Policy on Diversity and Inclusion](#), meet or exceed relevant laws and regulations, and ensure an ethical, safe, and discrimination/harassment free work environment, including:
 - a. an Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities and that addresses:
 - diversity and equal employment opportunity;
 - the Americans with Disabilities Act and reasonable accommodations;
 - intolerance for workplace bullying and harassment;
 - domestic violence and prevention of violence in the workplace;
 - timekeeping practices;
 - vacation, sick time and other benefits, including family and medical leave;
 - internal transfers and promotions;
 - reasonable travel and expense reimbursement;
 - b. [an Employee](#) Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee; and
 - c. a record retention policy that complies with applicable New York State laws and regulations.

 - Establish and administer compensation practices and benefits for ~~the Authority's~~ [LIPA's](#) staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual's knowledge, skill, and contribution; motivate and reward individual performance; and encourage organizational responsiveness to ~~the Authority's~~ [LIPA's](#) mission and values. ~~Such practices~~ [LIPA will establish salary ranges for each position that](#) are informed by:
 - compensation and benefits of employees with similar skills at utilities of similar size and complexity;
 - an -appropriate -balance -of -compensation -practices -among -public -and private organizations;
 - industry and regional cost-of-living trends;
 - the ability to recruit qualified personnel for a position;
 - individual employee performance and contribution; and
 - a process that permits an employee to appeal in writing any compensation decision resulting from a performance evaluation.

 - Refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation [to new hires](#) that exceeds the range set for the position by a benchmarking survey, without Board approval. Unless authorized in writing by the CEO, employment ~~at the Authority~~ shall be on an at-will basis.

- Establish policies and programs that support and encourage the personal and professional development of employees, including:
 - programs for continuing education and tuition reimbursement;
 - core skills continuing education;
 - performance appraisal and enhancement;
 - management and leadership training; and
 - utility and public power industry learning.

- Conduct an annual engagement survey and utilize the results to design programs and initiatives to maintain an annual employee engagement score among the top 10 percent of benchmarked companies.

- Maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to the operations of the Authority.

The -CEO -will -report -annually -to -the -Governance, -Planning -and -Personnel -Committee -on compliance with the key provisions of ~~the Staffing and Employment~~this Policy.

Board Policy: **Staffing and Employment**

Policy Type: **Operating Policy**

Monitored by: **Governance, Planning and Personnel Committee**

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- Appoints and, if necessary, discharges the Chief Executive Officer (“CEO”);
- Evaluates the performance of and determines the compensation of the CEO¹;
- With the advice of the CEO, appoints the other Board-appointed Officers specified in LIPA’s By-laws².

Furthermore, the Board of Trustees authorizes and directs the CEO to:

- Manage LIPA’s organization and staffing, including hiring and terminating staff, to enable the Authority to achieve its mission and values, while recognizing that diversity of talent, interests, background and experience is a key attribute to a healthy organization;
- Maintain staffing at the minimum level necessary to ensure that LIPA meets its obligations with respect to its bonds and notes, statutes, contracts, and oversight of its service provider;
- Develop and implement human resource practices, programs, training, and initiatives that are consistent with this Policy and the Policy on Diversity and Inclusion, meet or exceed relevant laws and regulations, and ensure an ethical, safe,

¹ The Board annually evaluates the CEO’s performance by comparing: (i) the Authority’s performance to the policies established by the Board, and (ii) the skills of the CEO to the competency profile established for the position. The Board periodically reviews the CEO’s compensation using a benchmarking survey. The CEO’s cost-of-living adjustments (“COLA”), if any, are tied to performance. If the CEO’s performance “meets expectations”, the COLA equals the rate of inflation. If the CEO “significantly exceeds expectations”, the COLA equals the rate of inflation plus one percent. If the CEO’s performance is “outstanding,” the COLA equals the rate of inflation plus two percent.

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and discrimination/harassment free work environment, including:

- a. an Employee Handbook that provides guidance to employees regarding their rights, benefits, and responsibilities and that addresses:
 - diversity and equal employment opportunity;
 - the Americans with Disabilities Act and reasonable accommodations;
 - intolerance for workplace bullying and harassment;
 - domestic violence and prevention of violence in the workplace;
 - timekeeping practices;
 - vacation, sick time and other benefits, including family and medical leave;
 - internal transfers and promotions;
 - reasonable travel and expense reimbursement;
 - b. a Code of Ethics and Conduct, including annual acknowledgement of receipt and compliance by each employee; and
 - c. a record retention policy that complies with applicable New York State laws and regulations.
- Establish and administer compensation practices and benefits for LIPA's staff that are sufficient but not excessive to attract and retain a qualified, experienced workforce; are appropriate based on an individual's knowledge, skill, and contribution; motivate and reward individual performance; and encourage organizational responsiveness to LIPA's mission and values. LIPA will establish salary ranges for each position that are informed by:
 - compensation and benefits of employees with similar skills at utilities of similar size and complexity;
 - an appropriate balance of compensation practices among public and private organizations;
 - industry and regional cost-of-living trends;
 - the ability to recruit qualified personnel for a position;
 - individual employee performance and contribution; and
 - a process that permits an employee to appeal in writing any compensation decision resulting from a performance evaluation.
 - Refrain from establishing or implying employment obligations to individuals of longer than one year or offering compensation to new hires that exceeds the range set for the position by a benchmarking survey, without Board approval. Unless authorized in writing by the CEO, employment shall be on an at-will basis.
 - Establish policies and programs that support and encourage the personal and professional development of employees, including:
 - programs for continuing education and tuition reimbursement;
 - core skills continuing education;
 - performance appraisal and enhancement;

- management and leadership training; and
 - utility and public power industry learning.
- Conduct an annual engagement survey and utilize the results to design programs and initiatives to maintain an annual employee engagement score among the top 10 percent of benchmarked companies.
- Maintain a succession plan to address the inevitable turn-over of executives and staff with the least possible interruption to the operations of the Authority.

The CEO will report annually to the Governance, Planning and Personnel Committee on compliance with the key provisions of this Policy.